

IRS News Release

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Online Tool Helps Hurricane Victims with New EITC and ACTC Rules

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WASHINGTON — Special rules for victims of Hurricanes Katrina, Rita and Wilma will ease the eligibility requirements for the Earned Income Tax Credit (EITC) and the Additional Child Tax Credit (ACTC), allowing people more options to qualify for substantial tax refunds. The Internal Revenue Service has created a special online tool to assist taxpayers.

For this filing season, hurricane victims who experienced smaller earned incomes in 2005 can elect to compute their EITC and ACTC using their larger 2004 earned incomes. The option could result in a larger tax refund.

The option is limited to individuals who lived in the Hurricanes Katrina, Rita, or Wilma disaster areas. The 2004 earned income also must be higher than the 2005 income to exercise the income option.

The IRS has developed applications on its Web site and disaster telephone hotline to help taxpayers who lost their prior tax records to take advantage of this special election without filing delays. Hurricane victims can access their 2004 earned income amounts using the new *Your 2004 Earned Income Option* on IRS.gov and entering two shared secrets - personal information known only to the taxpayer and IRS. Taxpayers without web access can use an automated telephone application by calling 866-562-5227.

The income option is part of a broader Katrina Emergency Tax Relief Act of 2005, and the Gulf Opportunity Zone Act of 2005 passed by Congress. The optional income selection does not apply to other items on the tax return, and, if selected for EITC, must apply for ACTC as well.

The Earned Income Tax Credit (EITC) is a refundable federal income tax credit for low-income working individuals and families. It is intended, in part, to offset the burden of social security taxes and to provide an incentive to work. Individuals must meet certain income limitations and, if claiming a child, must meet certain rules.

The Additional Child Tax Credit may be available to certain taxpayers if they have three or more qualifying children or if they have earned income that exceeds the base amount for the year. The base amount of earned income needed can be found in the Instructions for Form 8812. The Additional Child Tax Credit is for certain taxpayers who receive less than the full amount of the Child Tax Credit. The Additional Child Tax Credit may give you a refund even if you do not owe any tax.

A qualifying child for both EITC and ACTC purposes must meet certain residency and relationship requirements. However, the new tax relief laws also allow the IRS to grant leeway for victims who were unable to maintain the residency requirement. Generally, a child must live in the same household with the taxpayer for more than half the year.

Also, for taxpayers living in any of the declared disaster areas, grants from state programs, charitable organizations or employers to cover medical, transportation or temporary housing expenses should not be included in their income and will not affect their eligibility for EITC.

Additional information about EITC and the ACTC as well as the Child Tax Credit in general is available on IRS.gov by reviewing or downloading Publication 596, Earned Income Credit, and Publication 972, Child Tax Credit. For additional hurricane tax relief information, see Fact Sheet 2006-12 and Publication 2194, Disaster Losses Kit for Individuals, which details tax relief available to people affected by the hurricanes.

Also, the IRS has created Publication 4492, Information for Taxpayers Affected by Hurricanes Katrina, Rita, and Wilma, that addresses all tax relief issues for hurricane victims.